

## Portfolio Breakdown

The following is a breakdown of the Investment Pool holdings for February 2009

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,187,304	60.3%
Commercial Paper	-	0.0%
Taxable Municipal Securities	15,000	0.4%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	68,004	1.9%
Repurchase Agreements	1,786	0.0%
Treasury Securities	474,966	13.1%
Certificates of Deposit	465,836	12.8%
Local Government Investment Pool	413,926	11.4%
Reverse Repurchase Agreements	-	0.0%
<b>Total</b>	<b>\$3,626,822</b>	

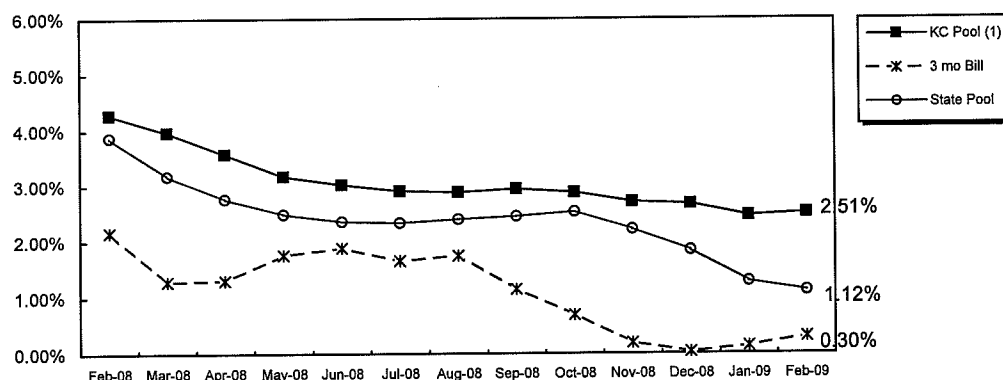
\*Average Pool Effective Duration: 0.61 Years

\*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

## King County Pool Rating

In January 2008, the rating of the King County investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Three of four restructurings have been completed in 2008 with one remaining in early 2009. King County has initiated discussions with S&P to restore the pool's AAA rating and anticipates action in the first half of 2009.

## Investment Pool Performance (before Pool fees)



(1) King County Pool Distribution rate has not been adjusted yet for realized losses from impaired commercial paper investments.

## Pool Net Asset Fair Value on February 28, 2009

Net Assets (2)	3,744,118,694.46
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	3,718,640,638.40
Undistributed and unrealized gains(losses)	25,478,056.06
Net Assets	<u>3,744,118,694.46</u>
Net asset value at fair value price per share (\$3,744,118,694.46 divided by 3,718,640,638.40 units)	<u>1.0069</u>

(2) Excludes impaired assets that have been separated into a separate pool.

**Performing Pool Comments:** The King County Pool rate increased slightly from the previous month. This was caused by February having only 28 days, while many of the investments the pool holds pay 30 days of interest. The two "extra" days of interest result in February having a relatively higher rate of interest than the other months of the year. We still expect that the pool rate will continue going lower over future months. We probably will not see higher rates until the Fed is convinced that the numerous actions taken by themselves and U.S. Government have brought some stability to the housing and financial markets. Given the severity of problems in these sectors, both economists and market indicators are predicting that we may not see higher short-term interest rates until late in 2009 or early 2010.

The unrealized gain in the portfolio was about \$25 million at month-end. This month's reported unrealized gain was lower than last month's because the older securities with the highest yields are gradually maturing, or are getting closer to maturing, and this reduced the unrealized gains in the portfolio. This occurs because as a fixed income security approaches its maturity date, its price converges to par, and the unrealized gain disappears.

We are continuing the strategy of investing the pools assets in securities that have the support of the Federal government: U.S. agency obligations, U.S. Treasury securities, and certificates of deposit and savings accounts with banks that have received capital infusions from the U.S. Treasury. We continue to consult regularly with our investment consultant, PFM, and they concur with our current strategy. King County also remains committed to sharing information with pool members about investment holdings and the impacts of the current turmoil in global credit markets. Please call the Treasury Operations number at 206-296-7326 if you have questions or need any additional information.

**Impaired Pool Holdings Report**  
**2/28/2009**

Commercial Paper Issuer	Status	Current Book Value	Estimated Future Cash Recovery	Estimated Future Unrealized Loss
Mainsail II (1)	Restructured	3,022,926.58	782,000.00	2,240,926.58
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.89
Victoria Finance (2)	Restructuring In Progress	43,999,420.77	6,396,000.00	37,603,420.77
<b>Total</b>		<b>49,695,158.37</b>	<b>8,820,350.00</b>	<b>40,874,808.38</b>

Fair Value Ratio	0.1775
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance restructuring is not complete. These estimates are based on market price from a single dealer willing to provide a quote. Note that the intrinsic value estimate from Victoria's trustee for the King County Pool' proportionate share is about \$19.2 million, excluding the recent cash payments, and this is materially higher than the \$6.4 million single dealer valuation.

**Impaired Pool Comments:**

The vast majority of the amount remaining in the impaired pool as of February 28th is associated with Victoria, the one investment waiting for restructuring. Victoria continues to make regular monthly distributions, and we received another payment in early February for about \$454,000. We expect these monthly distributions to continue at least until the restructuring process is concluded, and we still expect the restructuring of Victoria to occur sometime in the first half of 2009.

The February market price was lower than January's quote. Pricing for impaired investments has been difficult to obtain because of the turmoil in the credit markets, and in illiquid markets it is not unusual to see wide swings in prices. Victoria's trustee estimates an intrinsic value of about 36% versus a market price from a single dealer quote of 12% (based on original par amount of \$53.3 million). Adding the cash recoveries through February to the February dealer price (12%) results in an estimated recovery rate to senior investors of about 29%.

The King County Executive Finance Committee approved bifurcation of the investment pool so that the impaired investments would be in their own pool separate from the main pool of "performing" investments. The effective date of the bifurcation was September 1, 2008 (this date was selected based on input from pool members). The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

There are also "tail" payments from the other three completed restructurings (Cheyne, Rhinebridge and Mainsail) that will remain bifurcated until such time that we receive future cash payments and convert the remaining unrealized losses into realized losses.